REMARKS

The examiner provisionally rejected Claims 1-12 on the ground of non-statutory obviousness type double patenting as being unpatentable over claims 1-12, respectively of co-pending Application No. 10/001,900.

Claim 1 is directed to

> 1. (Original) A method of producing a financial product that is traded on a first marketplace, comprising:
>
> exchanging between a market participant and an agent a creation unit basket of securities for the first fund traded for a prescribed number of shares in the first fund, which has a basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a different country than that of the first fund; and
>
> delivering by either the agent or market participant a number of shares in the second fund or in other securities to account for any "cash amount" that may be owed between the agent and the participant as a result of the exchange of the creation unit basket of securities for the shares in the first fund.

Claim 1 of the co-pending application 10/001,900 is directed to:

> 1. (Original) A method of producing shares of a first fund that is traded on a first marketplace, the method comprising:
>
> delivering by a market participant to an agent for the first fund, a creation unit basket of securities having a basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a different country than that of the first fund; and
>
> delivering a prescribed number of shares in the first fund to the market participant, in exchange for the creation unit basket of securities and a second, number of shares in the second fund to account for cash that is owed by the agent to the participant.

Claim 1 of the instant case in not an obvious variant of claim 1 in the co-pending application since in the co-pending application delivering features… a second, number of shares in the second fund to account for cash that is owed by the agent to the participant.

Claim Rejections - 35 U.S.C. §112

The examiner rejected Claims 1-13 under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. The examiner stated:

> **Claim 1 is rejected under 35 U.S.C. 112, second paragraph, as being incomplete for omitting essential steps, such omission amounting to a gap between the steps. See MPEP § 2172.01. The omitted steps are: how is the financial product produced?**

Claim 1 recites the features needed to distinguish over the cited art, namely, delivering by a market participant to an agent for the first fund, a creation unit basket of securities having a basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a different country than that of the first fund and delivering a prescribed number of shares in the first fund to the market participant, in exchange for the creation unit basket of securities … .

Any other steps omitted are either conventional or not needed to define the subject matter of the invention. The feature of delivering by either the agent or market participant a number of shares in the second fund or in other securities to account for any "cash amount" that may be owed between the agent and the participant …" is recited in the claim. The examiner has not furnished any prior art requiring Applicant to narrow the scope of this or any other feature of the claim.

Accordingly, claim 1 is complete.

The examiner also argued that:

> **The term "substantially" in claims 1, 7 and 12 is a relative term which renders the claim indefinite. The term "substantially" is not defined by the claim, the specification does not provide a standard for ascertaining the requisite degree, and one of ordinary skill in the art would not be reasonably apprised of the scope of the invention. How is "substantially the same basis" measured?**

The use of the term substantially in claims 1, 7 and 12 does not render these claims indefinite, since one skilled in the art would understand that "having a basis that is substantially the same basis" merely offers the feature with a degree of tolerance, e.g., akin to "about." The term could be ascertained by one skilled in the art using guidance offered by applicant's specification. Indeed, to an exact arbitrage the creation units in the funds in general would need to be identical. One skilled in the art could depart from identical creation unit basis according to the degree that one would desire to depart from the exactness of arbitrage between the two funds.

The examiner also stated that: "The term "may be" in claims 1, 2, 4, 7, 8, 12 and 13 is indefinite. Is the cash required or not?" The Claims have been amended.

The examiner stated that the term "small amount" in claims 4 and 10 was a relative term rendering the claim indefinite. Applicant has amended claims 4 and 10.

Accordingly, in view of the above amendments and remarks claims 1-12 and the newly added claims 14-15 are proper under 35 U.S.C. 112, second paragraph.

Claim Rejections - 35 U.S.C. §103

The examiner rejected claims 1-12 under 35 U.S.C. 103(a) as being unpatentable over Gastineau, US Pub. No. 2001/0025266 in view of "Exchange traded funds—the wave of the future?," by Stuart M. Strauss.

The examiner stated:

> **Re Claim 1: Gastineau discloses the method of producing a financial product that is traded on a first marketplace, comprising:**
>
> **exchanging between a market participant and an agent a creation unit basket of securities for the first fund traded for a prescribed number of shares in the first fund, which has a basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a different country than that of the first fund (Gastineau, [0001] [0002] [0003] [0004]).**
>
> **Gastineau fails to explicitly disclose a method comprising:**
>
> **delivering by either the agent or market participant a number of shares in the second fund or in other securities to account for any "cash amount" that may be owed between the agent and the participant as a result of the exchange of the creation unit basket of securities for the shares in the first fund.**
>
> **Strauss discloses the method comprising:**
>
> **delivering by either the agent or market participant a number of shares in the second fund or in other securities to account for any "cash amount" that may be owed between the agent and the participant as a result of the exchange of the creation unit basket of securities for the shares in the first fund (Strauss, pgs. 1-3).**

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Gastineau by adopting the teachings of Strauss to provide a method further comprising delivering by either the agent or market participant a number of shares in the second fund or in other securities to account for any "cash amount" that may be owed between the agent and the participant as a result of the exchange of the creation unit basket of securities for the shares in the first fund.

Claim 1 is neither described nor suggested by any combination of Gastineau and Strauss, since no combination of these references suggests exchanging ... a creation unit basket of securities for the first fund ..., which has a basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a different country than that of the first fund and delivering by either the agent or market participant a number of shares in the second fund or in other securities to account for a cash amount owed ... .

The examiner uses Gastineau to teach the feature of exchanging. However, no such teaching is found in Gastineau. Rather, in the passages cited by the examiner, Gastineau describes a SPDR, a depository trading receipt based on the S&P 500 stock index. However, nowhere in those passages or elsewhere in Gastineau is there described both the first fund and the second fund that is traded on a second marketplace in a different country than that of the first fund.

Gastineau describes a technique to produce a hedge basket of securities when trading actively managed funds. However, the hedge basket does not possess the features of trading in a different country than the actively managed fund nor having the same or substantially the same creation unit basis.

The examiner uses Strauss to teach delivering. However, Strauss neither describes nor suggests the feature of delivering by either the agent or market participant a number of shares in the second fund or in other securities to account for a cash amount owed ... .

Rather, Strauss describes the conventional approach in which cash is delivered to account for dividends etc. For instance, Strauss describes on page 3,

A small cash payment (Cash Component) generally must also be made. The list of the names and number of shares of the Deposit Securities on a particular trading day is made available daily to market participants prior to the opening of trading by the trustee (in the case of a UIT), or investment advisor or custodian (in the case of a

> **managed fund), typically through the facilities of the National Securities Clearing Corporation (NSCC).[8] The Cash Component is an amount equal to the Dividend Equivalent Payment (as defined below) plus or minus a balancing amount intended to insure that (consistent with Rule 22c-1 under the Investment Company Act of 1940) shares are purchased at NAV next calculated following receipt of the purchase order in proper form.[9] The Dividend Equivalent Payment is an amount intended to enable an ETF to make a distribution of dividends on the next payment date as if all of the ETF's portfolio securities had been held for the entire dividend period. (Footnotes omitted).**

Strauss neither describes nor suggests the first and the second funds traded in different countries, nor does Strauss describe delivering by either the agent or market participant a number of shares in the second fund or in other securities to account for a cash amount owed … .

While Applicant notes that Strauss does describe delivering a prescribed number of shares in exchange for the creation unit basket of securities, Strauss also clearly describes that cash is exchange along with the shares exchanged for the creation unit basket of securities. Strauss does not describe or suggest "delivering by either the agent or market participant a number of shares in the second fund or in other securities to account for a cash amount owed …" and no combination of these references describes or suggests this feature.

Claim 7 is allowable over Gastineau taken separately or in combination with Strauss for analogous reasons as those given in claim 1, namely that no combination of these references suggests a computer program product … for administrating a financial product that is traded on a first marketplace, the product based on a creation unit basket of securities having a basis that is substantially the same basis as the creation unit basis for a second fund that is traded on a second marketplace in a different country, comprises instructions … to determine a number of shares in the second fund or number of shares of other securities to account for a cash amount owed between the agent and the participant … .

In addition the examiner argues that:

> **Intended Use: The claim makes several intended use statements which do not carry patentable weight (i.e., "a computer program product for"; "instructions for"). What follows the statement of intended use (i.e., "for") does not carry patentable weight. The claimed invention must result in a structural difference between the claimed invention and the prior art in order to patentably distinguish the claimed invention from the prior art. If the prior art structure is capable of performing the intended use, then it meets the claim.**

Claim 7 has been amended to recite a computer program product residing on a computer readable medium. Applicant directs the examiner's attention to *In re Lowry*, 32 F.3d 1579, 32 USPQ2d 1031 (Fed. Cir. 1994) and the Federal Circuit's dismissal of an appeal in *In re Beauregard*, 53 F.3d 1583, 35 U.S.P.Q.2d 1383 (Fed Cir. 1995), in lieu of the patent office's adoption of guidelines to examination of computer related inventions, clearly sanctioning the use of so called Beauregard claims.

Instructions to … "determine a number of shares in the second fund or number of shares of other securities to account for a cash amount owed between the agent and the participant …" is not a statement of intended use, but rather recites a structural limitation on the computer readable medium that distinguishes that computer readable medium from other computer readable mediums. *Lowry*, 32 F.3d at 1583.

Accordingly the examiner must give patentable weight to all of the features recited in the claims, and therefore no combination of Gastineau with Strauss suggests the claimed computer program product … since neither reference teaches the features in the claim.

Claim 12 is allowable over Gastineau and Strauss for analogous reasons given in claim 7.

Claims 2, 8 and 13 are allowable over Gastineau in view of Strauss for the reasons discussed in their base claims.

Claims 3 and 9

Claim 3, for example, is allowable over the combination of references since no combination of those references describes or suggests "if the cash amount is a negative amount the agent issues shares in the second country fund or provides other securities in lieu of the cash amount, and if cash amount is a positive amount the agent accepts second country fund shares or other securities in lieu of cash amount.

Claims 4 and 10

Claim 4, for example, is allowable since no combination of the references suggests that the cash is exchanged to equate the first country shares with the first fund creation unit basket plus or minus the second country shares or other securities provided to cover the cash amount.

Claims 5, 6 and 11

These claims are distinguished over Gastineau in view of Strauss since no combination suggests, for example, that the agent sets a maximum cash amount that it will give to or receive from participants (claim 5) or that transactions that exceed the maximum amount will result in issuance or receipt of the second country fund shares or other securities, rather than cash (claim 6).

There is no other option for the agent or the participant but to exchange cash in the process of creation of SPDR's as disclosed by Strauss or the combined teachings of Gastineau and Strauss.

The prior art made of record and not relied upon neither describes nor suggests Applicant's invention whether taken separately or in combination with the art of record.

Enclosed is an Information Disclosure Statement. The references on this statement, whether taken separately or in combination with the art of record, neither describe nor suggest the features of Applicant's claims.

Newly added claim 13-15 are allowable for analogous reasons as those given in their respective analogous claims.

Newly added claim 16 directed to a computer program product is allowable at least because it includes instructions to ... determine a number of shares in the second exchange-traded fund or other securities to satisfied an amount of cash that is owed between the agent and the participant ... .

Claims 17-18 are allowable at least for the reason that they depend directly or indirectly on claim 18.

Newly added claim 18 directed to a method for administrating a first exchange-traded fund is allowable at least because it includes ... determining a number of shares in the second exchange-traded fund or other securities to satisfied an amount of cash that is owed between the agent and the participant ... .

Claims 19-20 are allowable at least for the reason that they depend directly or indirectly on claim 18.

Please charge the excess claims fee of **$400** to deposit account 06-1050. Please apply any other charges or credits to deposit account 06-1050.

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Respectfully submitted,

Date: 6/18/07

Denis G. Maloney
Reg. No. 29,670

Fish & Richardson P.C.
225 Franklin Street
Boston, MA 02110
Telephone: (617) 542-5070
Facsimile: (617) 542-8906

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